

2016 Regular Session

HOUSE CONCURRENT RESOLUTION NO. 50

BY REPRESENTATIVE JIM MORRIS

CONSERVATION: Amends rules relative to financial security requirements

1 A CONCURRENT RESOLUTION

2 To amend the Department of Natural Resources, office of conservation rule LAC
3 43:XIX.104(C)(1) and (D), which provides financial security requirements, and to
4 direct the office of the state register to print the amendments in the Louisiana
5 Administrative Code.

6 WHEREAS, orphaned wells are abandoned oil and gas wells for which no
7 responsible operator can be located or wells where the operator has failed to maintain the
8 well site in accordance with state regulations; and

9 WHEREAS, to address the cost to the state of orphaned wells, LAC 43:XIX.104
10 provides that in order to obtain a drilling permit, amend a drilling permit, or change the
11 named operator on a drilling permit, the operator is required to submit financial security
12 to ensure that the well can be properly plugged and abandoned and the associated site
13 restoration is accomplished; and

14 WHEREAS, in response to recommendations made in the May 2014 performance
15 audit conducted by the legislative auditor, the Department of Natural Resources, office of
16 conservation, began the rulemaking process in accordance with the Administrative
17 Procedure Act to amend LAC 43:XIX.104; and

18 WHEREAS, the rules substantially increase the level of financial security required,
19 often doubling the amount, and in some cases, increasing the amount by seven hundred
20 percent; and

WHEREAS, the rule also removes exemptions for operators who have exhibited a record of compliance with the statutes, rules, and regulations regulating the oil and gas industry; and

WHEREAS, the Louisiana Legislature recognizes the need of reducing and eventually eliminating the existence of orphaned wells; and

WHEREAS, the House Committee on Natural Resources and Environment heard public testimony on March 1, 2016, from many operators on the negative effects from the combination of the increase in the financial security requirements provided in LAC 43:XIX.104, the fees increased by enactment of Act No. 362 of the 2015 Regular Session, and the disastrous drop in oil prices; and

WHEREAS, it is clear from that testimony that the insolvency of a large number of small operators is imminent; they simply cannot sustain their production efforts; and

WHEREAS, their insolvency will no doubt lead to an increase in the number of orphaned wells further endangering public health and safety causing the exact opposite result from that sought when the financial security requirements were increased.

THEREFORE, BE IT RESOLVED by the Legislature of Louisiana that LAC 43:XIX.104(C)(1) and (D) are hereby amended to read as follows:

§104. Financial Security

* * *

C. Financial Security Amount

1. Land Location

a. Individual well financial security shall be provided in accordance with the following.

Measured Depth	Amount
< 3000'	\$ 7 2 per foot
3001-10000'	\$5 per foot
> 10001'	\$4 per foot

b. Blanket financial security shall be provided in accordance with the following.

Total Number of Wells Per Operator	Amount
≤ 10	\$50,000 25,000
11-99	\$250,000 150,000
≥ 100	\$500,000 250,000

* * *

D. Operators shall not be required to provide financial security in the following circumstances:

(1) All wells exempt from financial security prior to the promulgation of this rule shall remain exempt so long as they remain with their current operator or the operator's immediate family as defined in R.S. 42:1102(13). A change of name by an operator of record through acquisition, merger, or otherwise does not preclude said successor operator from maintaining the exemption described herein.

(2) Any well declared to be orphan by the commissioner and subsequently transferred to an operator who has no outstanding violations and who has a record of compliance with applicable statutory requirements and the rules and regulations of the office of conservation for a period of forty-eight months immediately prior to the transfer.

(3) A well by an operator who has an agreement with the office of conservation to plug a well that has been declared orphan by the commissioner.

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BE IT FURTHER RESOLVED that a copy of this Resolution be transmitted to the office of the state register.

BE IT FURTHER RESOLVED that the office of the state register is hereby directed to have the amendments to LAC 43:XIX.104(C)(1) and (D) printed and incorporated into the Louisiana Administrative Code.

CODING: Words in ~~struck through~~ type are deletions from existing law; words underscored are additions.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HCR 50 Original

2016 Regular Session

Jim Morris

Amends LAC 43:XIX.104(C)(1) to reduce the amount of financial security required by operators of land based wells 3,000 ft. or less from \$7 to \$2 per foot and reduces the amount of financial security based on the number of land wells as follows:

Number of Wells	From	To
<10	\$50,000	\$ 25,000
11 - 99	\$250,000	\$150,000
>100	\$500,000	\$250,000

Amends LAC 43:XIX.104(D) to exempt from the financial security requirements wells previously exempt as long as they remain with the current operator or his immediate family, orphan wells transferred to an operator with a good compliance record, and a well by an operator who has an agreement with the office of conservation to plug an orphaned well.

(Amends LAC 43:XIX.104(C)(1) and (D))